App. F. IX-4

Previous References
Secy. 30-26(5-6-7

1928-29
(Secy

File No. 21-28
Serial Nos. 2 and 15

Later References
C.S. 4-30 (3-10)

Reserve

General and Revenue Secretariat.

Serial Nos. 2

P-36
E

Part B for June 29

SUBJECT

Central Land Mortgage Bank
at Bangalore

Sl. 15 No. G. 12698-716. dt 12-4-29.

To the Director of Land R.
The Registrar of Co-operative Societies
The Comptroller through the Finance
The Dcs of Districts
The Secretaries to Government

Sanctions the appointment of a
Deputy Registrar of Co-operative Societies
to help the Registrar in connection with
the Land Mortgage Bank

G. R. S. III—11 1928-29

C 354

GENERAL AND REVENUE SECRETARIAT.

Sanitary

NOTES.

File No. 21-28

FILE HEADING.

Central Land Mortgage Bank at Bangalore

From

The Director of Industries & Commerce

No. B. 2588 Dated 31-8-1928 Received 1-9-28

Diary No. 1-9-9 Enclos. 1 Book & 1 file. Spare Copies. — Serial No. 2

BRIEF ABSTRACT OF LETTER.

Forwards a report on the proceedings of the Departmental Conference at Madras re ~~Land~~ opening of a Central Land Mortgage Bank at Madras and gives certain suggestions about the modifications of the present bye-laws regarding the Central Land Mortgage Banks proposed to be opened at Bangalore

NOTES AND ORDERS.

Subd. The most important recommendations relate to the modification of bye-laws referred to below:—

(1) grant of loans to individual members (bye-laws 11 & 12)

(2) no of instalments in long term loans (bye-law 10)

(3) Foreclosure & management of properties, the rules relating to which are not perfectly ~~clear~~ clear (bye-law 21 & 22)

The rate of interest for debentures

NOTES—First Sheet.

WD 1881—GPB—30,000—15-8-21

(57)

1947 2

App. F. III—2]

(2

General and Revenue Secretariat. | Famine File No. 24 of 1928

Serial No.

(5) Re deduction in the rate of interest from 6½ on à vues & debenture bonds (291

(6) Releasing part of property mortgaged — Case the security is in excess of what is req (3

(7) carrying 25% of profits to reserve fund (1

modifications as proposed by the Registrar are indicated in pencil on the printed by laws.

a) The other points referred to by Director are —

(1) Redemption of ~~debenture redemption~~ bonds (by law 28)

(2) Debenture bonds tax free of income tax ~~than~~ should be for a fixed no of years

(3) Making debentures trustee securities

(4) Bank should not accept short term deposits.

(5) Formation of a Sinking fund

(6) Insuring Insurance companies in Land mortgage debentures.

(7) Relevancy the present cooperative law of long term loans

(8) working expenses of the Bank for about 3 to 5 years to be borne by govt —

(9) salaries of Land should not be govt servants.

Lobd for orders

Jom 14/9/28 Under Secy

Recd 15/9

NOTE—Contn. Sheet.

sorry for the delay in submitting file to the Govt (7) has not yet been received

Rec'd from Govt Bangalore 19/9/28

WD 01714—GPB—30,000—18-1-28

(5)

1949
MS

2

App. F. III—2] (3

General and Revenue Secretariat.

San File No. 24 of 192 8.

Serial No.

3/ Please see marginal remarks on the P.W.D and put us a dft for consideration.

R.B
24/10/28
Placed on
U-S
25

4/ 25/10

5/ Submitted a draft for with a revised set of draft bye laws
Jom RD
1/12/28 (Asst Secy, P.W.) (Gen' Secy) dcs 3/12/28

6/ Typed dft - SW. has been
up - Plan do so far

PCB
4/12
dcy

7/ Subd with a typed draft
dcm
6/12/28 (Gen' Secy) dcs 7/12/28

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

General and Revenue Secretariat

Secy File No. 21 of 192 8-4

Serial No.

177

2678
28/1

8) Modifications suggested by the Dir of Ag in the Bye Laws sanctioned for the Land Mortgage Bank

9) there is a D.O.S. with the file for Secretary's orders

D 9.1.29

Gen' Secy) Asst Secy Gen) dcg 9/1/29

10) Fair draft RG 15/1/29

11) Clean copy as revised submd

BR 19.1.29

Gen' Secy) dcg 21/1/29

12) for approval RG 22/1/29 dcg

JR 2438
D 22/1/29
MVS

3 to Member Thro Finlay

13) I agree to the proposals subject to the following remarks

Para. 2. cl. (ii). I had suggested a rate of 5½ p.c. in my note of 9.12.29. In the present condition of the money market the proposed rate may make seems reasonable.

— cl (iii). This is also a desirable change. I had omitted out the

NOTE—Contn. sheet

Serial No.

R2438

T.

In connection with the original arrangement. The Bank need not however be under an obligation to replenish the advances during the currency. It is enough if Govt will do so in fair time. The investment of the Sinking fund in the most advantageous manner possible may be kept. The Bank's claim (VI). I think some contribution may be given by Govt towards working expenses. A maximum should however be fixed. A limit of Rs 3000 or 5000 per year may not be unreasonable.

L
23.1.29
MV.

RR
23/1/29

320 Mem[illegible]
Pervaz

NOTE—Contn. sheet

Confidential.-

This note ~~xxxx~~ deals with the need for having a special officer in connection with ~~the~~ Land Mortgage Banks.

Our Scheme of

The question of the formation of a Land Mortgage Bank ~~has been~~ was long under the active consideration of the Government. After years of preliminary investigation, consultation and study, Government at last sanctioned a scheme in their Order No.G. 1-50 / Sary 17-26-1 dated ~~the~~ 11. 10. 26 under which they approved of a Land Mortgage Bank being formed, its operation being limited for the present to three Malnad Taluks and one maidan taluk. The work connected with the organisation of the Bank was entrusted to the Director of Industries and Commerce who was appointed as Director of Land Mortgage Banks

The appointment may be sanctioned for 2 years Mr M. S. Ramachandra Rao may be selected. He will get Rs a leg of Rs 700

14/3/29

Mule 4.3.29

esk 14/3.

14.3.29

h 20.3.29

This was ~~nearly a year~~ over 2 years ago. The Director of Land Mortgage Banks has, so far, delivered a few lectures in the ~~xxxx~~ ~~xxxx~~ mofussil ~~xxx~~ and talks to some people of the Land/ prepared pamphlets and distributed them on a large scale and has canvassed for some shares. He has also attended some meetings held by the Government of Madras for the consideration of their scheme of Land Mortgage Banks and lastly he has made some suggestions as to how the Land Mortgage Bank should be financed. He is now waiting for the amendement of the co-operative Regulation and the Rules thereunder so as to make them applicable to Land M[redacted]rage B[redacted]k

It may be pointed out that both in the Legisaltive Assembly as well as in the Legislative Council the non-official members have been pressing fot the early formation of these banks. This is also the opinion of the general public. It is necessary therefore that the work of bringing this institution into existence should proceed more rapidly than at present. It should be said that the Director of Industries and Commerce is giving the matter his personal attention; but as he has got his hands full with the work of his own department, the work relating to the Land Mortgage Bank does not perhaps receive the attention it requires.

The amendment to the Co-operative Regulation and the rules thereunder is before the Select Committee and will soon be placed before the Legislative Council. In the meanwhile, however, there is a lot of work which has got to be done to bring the institution into existence. The Officer responsible for the Land Mortgage Bank is to move about very largely in the Malnad portion of the State, studying its conditions, needs and resources. He has to do a lot of propaganda work, familiarise people with the system of Land Mortgage Banks, attract shares, call for applications for loans and attend to a host of other -- important details.

It seems to be necessary therefore that the Land Mortgage Bank should receive the undivided attention of a whole-time Officer. It was decided at the meeting of the Legislative Council that the Land Mortgage Bank should be worked under the co-operative regulation, and the desire was expressed by several members that the institution should be worked under the Registrar of Co-operative Societies. It seems best that this desire of the Legislative Council should be complied with, and the Registrar entrusted with Land Mortgage Bank work.

As however, his hand hands are full (just as in the case of the Director of Industries and Commerce) it seems necessary to give him the services of a Senior Officer as a Deputy to be in charge of Land Mortgage Bank work. He should workunder the general control of the Registrar of Co-operative Societies; but he will be wholly responsible for all the details connected with the work. This arrangement may have to be a permanent one but may be sanctioned for two years to start with. The officers selected may be given the status of a Deputy Registrar of co-operative societies.-

If the services of Mr M. S. Ramachandra Rao P.S.D., are likely to be available I would propose his name for the place

14.3.29

Final Note by the Third Member of Council.

Subject:— Appointment of a Special Officer in connection with the scheme of Land Mortgage Banks.

The question of the formation of a Land Mortgage Bank was long under the active consideration of the Government. After years of preliminary investigation, consultation and study, Government indicated their intention of establishing a Land Mortgage Bank in each of the Malnad Districts of Shimoga, Kadur and Hassan in Government Order No.G.1-50/Sany.17-26-1 dated 11th October 1926. It was subsequently considered, however, that a Central Bank at Bangalore with local branches would better meet the needs of land mortgage credit and orders were passed in Government Order No.G.11438-44/Sany.30-26-1 dated 10th April 1928 sanctioning the establishment of a Land Mortgage Bank at Bangalore, its operations being limited for the present to three malnad taluks and one maidan taluk. The work connected with the organisation of the Bank was entrusted to the Director of Industries and Commerce who was appointed as Director of Land Mortgage Banks in Government Order No.G.13109-28/Sany.81-27-1 dated 22nd May 1928. The Director of Land Mortgage Banks has, so far, delivered a few lectures in the mofussil, met some people and talked to them about the bank, prepared pamphlets and distributed them on a large scale and has canvassed for some shares. He has also attended some meetings held by the Government of Madras for the consideration of their scheme of Land Mortgage Banks and lastly he has made some suggestions as to how the Land Mortgage Bank should be financed. He is now waiting for the amendment of Co-operative Regulation and the Rules thereunder so as to make them applicable to Land Mortgage Bank. Both in the Representative Assembly as well as in the Legislative Council the non-official members have been pressing for the early formation of these banks. It is necessary therefore that the work of bringing this institution into existence should proceed more rapidly than at present. It should

be said that the Director of Industries and Commerce has been giving the matter his personal attention; but as he has got his hands full with the work of his own department the work relating to the Land Mortgage Bank does not perhaps receive the attention it requires.

The amendment to the Co-operative Regulation and the rules thereunder is before the Select Committee and will soon be placed before the Legislative Council. In the meanwhile, however, there is a great deal of work which has got to be done to bring the institution into existence The officer responsible for the Land Mortgage Bank has to move about very largely in the Malnad portion of the State and study its conditions needs and resources. He has to do much propaganda work, familiarise people with the system of Land Mortgage Banks, attract shares, call for applications for loans and attend to a host of other important details. It seems necessary therefore that the Land Mortgage Bank should receive the undivided attention of a wholetime officer until it is properly established.

It was the general desire of the members at the meeting of the Legislative Council in December last that the Land Mortgage Bank should be worked under the Co-operative Regulation and that the institution should be under the Registrar of Co-operative Societies. This is also the view of the Royal Commission on Agriculture. As however, the Registrar's hands are also full (just as in the case of the Director of Industries and Commerce), the best course seems to be to give the Registrar the services of a full time officer of fairly senior status as a Deputy to be in charge of Land Mortgage Bank work. He should work under the general control of the Registrar of Co-operative Societies; but he will be wholly responsible for all the details connected with the work. This arrangement may be sanctioned for two years.

The question was considered in Council on the 14th instant when it was resolved that the appointment of a Deputy Registrar to perform the functions of the Director of Land Mortgage Bank may be sanctioned for a period of two years, and that Mr.M.S.Ramachandra Rao, Private Secretary to the Dewan may be selected for the post, and that he may be

12

Submitted to His Highness.

I submit herewith a Final Note by the Third Member of Council on the subject of Appointment of a special officer in connection with the Scheme of Land Mortgage Banks,

for His Highness' gracious approval.

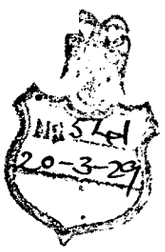
Mirza M. Ismail

Dewan.

20-3-29

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.



Appointment of a special officer in connection with the scheme of Land Mortgage Banks.

Order.

~~KRW~~
23/3/29

513

C. Secy
25-3-29

PM
25/3/29

V9

C354

General and Revenue Secretariat

SUBJECT

Appointment of a Special Officer in connection with the Scheme of Land Mortgage Banks

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then to the Secretariat concerned for the issue of orders.

Circulated to Members of Council for perusal of His Highness' orders before/after issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

By Order,

R. Ranedu

Chief Secretary to Government.

Through the Secretary to Government,

.....Department,

5833/25/3

4109/26/3

FIRST MEMBER OF COUNCIL. 25/3/29

SECOND MEMBER OF COUNCIL. 28/3/29

THIRD MEMBER OF COUNCIL.

Finl Sec's Letter Conts 27/3/29

NOTE.—Contn. sheet.

27.3.29

27.3.29

Serial No.

10489 2/4

Draft G.O. for appl

3rd " member R 1/4/29

will kindly please speak to me: regret & circulate G.O. the appointment of Mr M.S.R Rao on Rs 700

Ag 3/4/29

I took instructions from the 3rd " member. The mention of the pay may be omitted in the issue. When appd. Mr. Rama. acharyulu, the pay may be fixed— Rs. 700. Draft is issued

3rd " member R 4/4/29,

Ag 6-4-29

Issue Order R 8/4/29

Genl Section pse kindly issuing the G.O. the file may be sent back to CB pse issuing the notice about Mr M S R Rao.

Asst. Sec for personal ~~under~~ before issue 11/4/29

10590 5/4

11/4/29

11.4.29

Seen 11/4

Serial No.	
R-Conf. 2052 dt 12-4-29	Draft & fair subd.
	12/4
	Sent dd 12/4/29 Communicated
15	To Ser Director & Genl & Ser Registrar & Cooperative Societies Ser Comptroller through the Financial Secretary Ser Dep. & Dt Ser Sans to Govt. No & 12698-716 dt 12.4.29 Sanctions the appointment & a Deputy Registrar & Cooperative Societies to help the Registrar in connection with the Land Mortgage Bank
	To 1/ CB with Compts as required in the Supdts note dated 11.4.29 above and for Circulation KP 13/4
	3/ Notfn appointing Mr M. S Ramachandra Rao as Dy Registrar (on Rs 700) issued separately vide Notfn No 4555/CB 188-28-1. dt 11-4-29 copy of which has been separately These papers are returned with Compliments to Govt Sanctioning

NOTE—Contn. sheet

23/4/29

79/

17

1949

App. F. III—2]

General and Revenue Secretariat.

Say File No. 4 of 192 • 8

Serial No.

Submitted for perusal and orders

W/ 27/6/ Now that a separate officer has been appointed for organising the Land Mortgage Banks the is to work under the general supervision of the Registrar of Co-operative Societies it is for consideration whether the correspondence relating to Land mortgage Banks may be hereafter dealt with in the Co-operative Section of the Dev Dpt instead of in the Sanitary section as hitherto:-

KP 6/5/29 5/ It may be worked in the Dev. Branch

RR 7/5.

Chief Secy)

6/ I agree

3rd - Minutes Thos

Dev. Secy

RS 28.5.29.RR

KP 28.5.29.

Y.S.Secy 29/5/29

RS 30/5/29 RR

12690 29/5

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

29

19

1949

App. F. III—2]

General and Revenue Secretariat.	File No.	of 192

Serial No.

10184

GEN. & REV. SECRETARIAT'S
29
DEVELOPMENT BRANCH.

To the Development Br for kind work & return
31/5
30/5/29
ALV Boo)

Noted
Ear
31/5

31/5/29

NOTE—Contn. Sheet.

WD 01714—GPB—30,000—18-4-28

GENERAL MISCELLANEOUS 1969 1 SEP 1928

TELEGRAPHIC ADDRESS :— "INDUSCOM"

In reply please refer to
No. B-2588/27-28
Encls:— one Book
one file 2 papers (22)

GOVERNMENT OF MYSORE.

DEPARTMENT OF INDUSTRIES AND COMMERCE.

OFFICE OF THE DIRECTOR,

Dated. Bangalore,...31st..August 1928.

Sans 21-28-2

FROM

C. RANGANATHA RAO SAHIB, Esq., B.A., B.L.,
Director of Industries and Commerce in Mysore,
Bangalore (India.)

To

R. Ranga Rao Esq., B.A., B.L.,
Secretary to Government - General Departments,
B A N G A L O R E.

SIR,

I have the honour to submit the following report on the proceedings of the Departmental Conference held at Madras on the 16th instant in regard to the establishment of a Central Land Mortgage Bank in the Presidency Town. I was invited to attend the Conference by the courtesy of the Development Minister.

There are at present fifteen Primary Land Mortgage Banks in the Madras Presidency and all the Banks have power to issue debentures. It would seem, however, that only two Banks have been able to raise debentures viz. the Bank at Conjeevaram and at Gudlavalleru. The Primary Banks offer an interest of 7% on the debentures. In spite of the high rate of interest offered on the debentures issued by the Primary Banks, they have not been able to raise any subscriptions, and the Banks have felt that the power of issuing debentures should be exercised by a central body managed by influential business men whose names would attract subscription for debentures issued by the Central Bank

In pursuance of this idea, Representatives of the existing Land Mortgage Banks met the Registrar of Co-operative Societies Madras in November 1927 At this meeting it was decided that Central Bank should be started in Madras. The Registrar of Co-operative Societies has strongly recommended the proposal of the Primary Banks. Copies of the proceedings of the meeting and the letter of the Registrar are enclosed her

submission to Government.

Apart from the recommendations of the Primary Land Mortgage Banks for the establishment of a Central Bank. a Committee appointed by the 15th Madras Provincial Conference also recommended the establishment of such a Bank. The report of the Committee with the proposed Bye-laws of the Bank is published in the issue of the "Madras Bulletin of Co-operation for the month of May 1928. A copy of the Bulletin is also submitted for perusal.

As both the Committee appointed by the Co-operative Conference and the Primary Land Mortgage Banks thought that a Central Bank was necessary, the Departmental Conference was arranged by the Minister in Charge of the Development Departments; particularly because, this was also recommended by the Agricultural Commission in their recent report. A preliminary meeting was held on the 10th instant at which

Messrs. Lamb, Secretary, the Imperial Bank of India, Madras
Hood, Registrar of Co-operative Societies, Madras
Ramadas Pantulu, Member Council of State,

were present besides the Secretary to Government, Development Departments, Mr. Tampoe. I understand that certain preliminary questions were considered at the meeting -- and this was adjourned to the 16th inst. at the instance of Mr. Lamb, who desired to consult the Directors of his bank before offering his proposals on the Central Land Mortgage Bank.

At the meeting of the 16th instant, at which I was present, it was decided by the Conference that a Central Land Mortgage Bank should be started, in which both the Primary Land Mortgage Banks and private individuals should be allowed to subscribe towards share capital equally. The value of each share was proposed to be Rs.100/- and the maximum value of the shares to be taken by individuals was restricted to Rs.5,000/- The working capital of the Bank was fixed tentatively at 25 times the share capital and the Reserve Fund. It was resolved that debentures should be issued for 50% of the values of the properties mortgaged and that the rate of interest should not exceed 6%. It was also resolved that the Central Bank should be managed by a Board of Management consisting of 12 members of whom five were to be Delegates

from Primary Banks, five Representatives from individual share-holder and two nominated by Government. It was also decided that a Trustee should be appointed for the Central Land Mortgage Bank to protect the interests of Debenture holders.

Coming to the points in which we, in Mysore, are interested, Mr. Lamb stated that it was not practicable to float any long term debentures for a Land Mortgage Bank at present and for some time to come, unless the rate of interest of 6% was guaranteed by Government. If, however, the debentures were to be issued free of income tax, as is done in some countries, they could be floated at 5½%. A question was raised as to whether it was necessary to guarantee the repayment of principal by Government. Mr. Lamb was of opinion that no such guarantee was necessary. He was, however, strongly opposed to the Rule proposed to be issued reserving power to the Bank to redeem its debentures at six months notice. He stated that reservation of this power would make the debentures unpopular. He was of opinion, however, that the Bank may provide a sinking fund and buy its debentures from the open market to prevent their depreciation. He considered that "Bearer Bonds" should not be issued, but the debentures should be transferrable by endorsement and registration. He was of opinion that the bonds should not be below Rs.100/- in value, but preferred to have a denomination of Rs.500/- and above. He was strongly of the opinion that the President of the Bank should not be appointed by Government, but should be left entirely to the choice of the general body of the share holders.

It was the opinion of the Conference that during the early years of administration, the expenses of the Bank would far exceed its income and that Government should bear these expenses for five years or at any rate for the first three years. The Conference was also of opinion that it was not desirable to appoint as Valuers of Land officials of Government. At the conclusion of the proceedings, the Minister promised to place the views before the Government and he hoped that a Central Land Mortgage Bank would be started in Madras early.

I had an interview with Mr. Lamb of the Imperial Bank on the 17th instant and requested his opinion in regard to the Rules proposed to be issued for raising our own debentures. Mr. Lamb was of opinion that as stated on the previous day our Government would have to guarantee at least 5½% free of income tax on debentures if any substantial capital was required from outside the State. He said that if this rate of interest is promised, the Imperial Bank would do all in its power to place the debentures of the Land Mortgage Bank in the various money markets of India. He was of opinion, however, that it was desirable that the debentures of our Bank should not be placed on the market at the same time as t debentures of the Madras Land Mortgage Bank. If this should happen he felt that we would have to pay a little more say about ¼%

In regard to the Rules issued by us, Mr. Lamb commended Rule 20 which prohibits any further encumbrance by way of mortgage on lands for which loans have been guaranteed by the Bank. He stated that a power of sale by the Bank, in case of default, should be expressly reserved to the Bank under Rule 20 and that the proposal regarding releasing security contemplated under Rule 30 should not be allowed. I have already discussed these question with you in person. I beg to suggest that the Power of Sal under Rule 20 may be made clear and that Rule 30 may be modified. so that no part of the security once granted to the Bank is ever reduced.

I have separately addressed the Bank of Mysore. the Provincial Bank and the Central Co-operative Bank as to the terms on which they consid debentures can be floated in the State. I shall submit a report as soon as I hear from them. In the mean while I beg that the suggestions of the security of the Imperial Bank may be considered by Government.

I have the honour to be,
S i r,
Your most obedient servant,

C Ranganadha Rau Sahib
DIRECTOR

CRS-AKG.

From the Registrar of Co-operative Societies, Madras, No.B.4595-27 dated the 12th December 1927.

Ref: Development Department G.O.No.Mis.1857 dated 12th November 1927

With reference to the G.O. quoted above, I have the honour to submit herewith a copy of the bylaws of the proposed Central Land Mortgage Bank and the Primary Land Mortgage Bank and to report as follows:-

2. The primary object of the present scheme is to float debentures on mortgages transferred to it by primary Land Mortgage Banks as the primary banks have not generally been able to float debentures.

3. A meeting of the resentatives of the existing Land Mortgage Banks was held on 14th November 1927 in my office. I enclose a copy the minute of discussion. They agreed that, in view of the impossibility of getting adequate funds by offering debentures locally even at 7% a Central Land Mortgage Bank at Madras should be formed with an influential directorate to float debentures on the assets transferred by primary Land Mortgage Banks and to finance them. The Primary Land Mortgage Banks will consider the loan applications of their members, arrange for the valuation of the lands proposed for mortgage, sanction the loan applications, have the mortgage bonds executed and apply for the necessary ~~accounts~~ amounts to the Central Land Mortgage Bank, transferring their interest in the mortgages to it. The Central Land Mortgage Bank will issue debentures on the assets so transferred.

4. The main features agreed upon at the Conference are as follows

(1) The Central financing agency should be composed of primary Land Mortgage Banks as well as individual shareholders. The latter share in the management but should not borrow from the bank.

(2) The Land Mortgage Banks and individuals should be allotted share capital equally.

(3) The limit of Rs.1,000/- fixed in the Act as the maximum shareholding of a member was considered to be very low and it was considered

The shareholding of individuals should be limited to Rs.5,000/- in each issue of one lakh of rupees to individual shareholders.

(4) There shall be one vote for each share.

5) The strength of the Board of Management should be 12 comprised of 3 delegates from primary banks, 4 individual shareholders and 3 nominated directors.

(6) The election of the President of the Board of Management by the Board should be subject to the approval of the Government.

The rate of interest on debentures should not exceed 6% and the debentures 25 years. The rate of interest charged on loans to banks should not exceed

The working capital of the Bank has been fixed tentatively at [illegible] the share capital and Reserve Fund.

(9) The necessity for a trustee was considered and the suggestion of having a trustee for the Central Land Mortgage Bank was accepted as a necessity.

(10) The extent to which the debentures may be issued was fixed at 50% of the value of the properties mortgaged.

5. To see that the Central Land Mortgage Bank fulfils its obligations to the debenture-holders, the Board of Directors will appoint a trustee under bylaw 13, who will for the present be the Registrar of Co-operative Societies and the mortgage deeds assigned in favour of the Central Land Mortgage Bank by its borrowing members will be re-assigned to him. The duties of the trustee as regards payment of interest to debenture holders and recoveries from borrowing members are precisely the same as in the existing Land Mortgage Banks. The bylaws relating to the issue of debentures will be omitted in primary Land Mortgage Banks as embodied in the Central Land Mortgage Bank with a slight alteration in bylaw 13 of the proposed model. The amounts realised may be utilised by the Board of Directors in whole or in part subject to the approval of the trustee, in giving fresh loans to members on the security of mortgages assigned to it by primaries or in payin debentures, but if the repayments are used to reloan on

mortgages, these further mortgages will also be assigned to the trustee. A redemption fund will be formed but only excess profits will go to it. It is not practicable to pay any amount of repayments of loans to it direct.

6. The formation of a Central Agency alone may not attract debentures from the public to a large extent unless backed by the Government. The representatives of Land Mortgage Banks present on 14th November 1927 were of opinion that Government should be requested preferably to guarantee interest on all the debentures issued during the first 5 years for the full period of such debentures or in the alternative to take up debentures at least to 50% of the requirements. I request that the Government may be pleased to guarantee the interest of 6% on the debentures issued by the Central Land Mortgage Bank during the first five years for their full period. The Central Land Mortgage Bank may be expected to stand on its own legsthereafter.

7. As regards supervision it was urged at the Conference by the delegates that Government should continue the inspection and audit work through Government Inspectors in the initial stages. I am inclined to think that the Land Mortgage Bank organization should be quite separate from the rest of the co-operative organizations and should not come under the ordinary district staff except for audit. Each primary bank requires a well paid officer of its own to tour and enquire into every application and to inspect and appraise all mortgages tendered. In addition a competent and reliable officer must be employed to inspect all these banks on behalf of the Central Bank and the Trustee. They will require frequent and careful inspection particularly in the early stages and this inspection will involve local enquiries to check a certain percent of the work of the primary Bank's own appraiser. There will therefore have to be an Inspector for every 15 primary banks. This should be a charge on the central bank- But for some years- I would say for 3 years in the first place- . I am afraid that the State will have to bear the cost. It will require officers on not less than Rs.300/- a month with travelli[redacted]o

he should be paid by the Central Bank as soon as their transactions each a level when it is reasonably possible for them to do so.

8. I see no particular objection to permitting the individual members of the Central Land Mortgage Bank to have interest in the shares of the Bank exceeding Rs.1000/- I request that the Central Land Mortgage Bank may be exempted from the operation of section 5(b) of the Co-operative Societies Act II of 1912 to this extent.

9. It was suggested that nominated members of the Board of Directors of the Central Bank should be nominated by the Registrar but no objection would be raised if the Government insisted on making the nominations through the delegates would prefer that it should rest with the Registrar.

10. I am also forwarding to the Government Solicitor for his opinion a copy of the proposed bylaws of the Central Land Mortgage Bank and of the primary Land Mortgage Banks as amended but I submit that there is no need to await his opinion before settling the general outline of the scheme.

A meeting of the representatives of the existing Land Mortgage Banks was held on 14th November 1927 at 11 A.M.

H.M.Hood Esq.,I.C.S.,Registrar of Co-operative Societies, Madras (~~President~~ Presiding).

2. M.R.RY.A.Narasimhachariar Avargal,Conjeevaram Land Mortgage Bank.

3. " Tiruvenkatachariar Avl.,Chingleput.

4. " Papiah Naidu Avl.,Kilacheri.

5. " D.P.Thathachariar Avl.,Kallakurichi.

6. Mr.Kunjuthapatham Pillai,Kattumannergudi.

7. M.R.RY.G.Venkataratnam Pantulu Garu,Gudlavelleru.

8. " P.S.Venugopala Naidu Avargal,Coimbatore.

9. " J.Kumaraswami Pillai Avargal,Tanjore.

10. " S.Annadurai Iyer Avl.,Kulitalai.

The following gentlemen also attended the meeting:-

C.H.A.Townsend Esq.,President,Committee on Co-operation.

R.H.Ellis Esq.,Member,Committee on Co-operation.

M.R.RY.Hon'ble V.Ramadoss Pantulu.

" Rao Bahadur T.A.Ramalinga Chettiar Avargal.

G.K. Devadhar Esq.,M.A.,C.I.E.

K.T.Paul Esq.,B.A.,O.B.E.

M.R.RY.Rao Sahib K.Deivasikhamani Mudaliar Avargal, Joint Registrar of Co-operative Societies,Madras,

a n d

Rao Sahib T.Srinivasa Rao Avargal,Joint Secretary, Madras Provincial Co-operative Union.

The Registrar opened the discussion and enquired into the affairs of the existing Land Mortgage Banks.

The difficulties in raising debentures to meet the loan application of members of the existing Land Mortgage Banks were expressed by the representatives of the

the Land Mortgage Banks present. Of the 15 Land Mortgage Banks only two Land Mortgage Banks - Conjeevaram and Gudlavelluru have raised debentures for Rs.56,000* and Rs.1,21,000/-.** The bulk of the debentures has been taken by a few individuals. The representatives said that they experienced difficulties individually in attracting men to take up debentures though they offered 7% and it was resolved that a Co-operative Central Land Mortgage Bank should be formed at Madras with an influential Directorate to float debentures on the assets transferred by the primary Land Mortgage Banks and to finance them. The extent to which the value of the debentures may go with reference to the assets was then discussed and the limit was fixed at 50% of the value of the properties mortgaged.

28,000 Public.
28,000 Government.

71,000 Public
50,000 Government.

2. It was agreed that individuals should be taken in to assistant in the management and they should not borrow from the Bank. It was suggested by a representative of Gudlavelluru Land Mortgage Bank that the share capital contributed by the affiliated Land Mortgage Banks and individuals should be in the ratio of 2 to 1. But it was pointed out by others that many of the existing Land Mortgage Banks had lent out their share capital and they would not be able to take up many shares in the Central Land Mortgage Bank. It was finally agreed that the Land Mortgage Banks and individuals should be allotted share capital equally.

3. The limit of individual holding was then discussed. It was suggested by Mr.Ramadoss that it should be unlimited and the allotment should be left to the good sense of the promoters. Mr. Ramalinga Chettiar and Mr.Paul favoured limitation of the shareholding and taking as many individuals as possible and cited the case of some Central Banks which were in the hands of a few individuals. The concensus of opinion among the delegates was that the shareholding should be limited to [redacted]nt [redacted]y.

The limit of Rs.1,000 fixed in the Act as the maximum share-holding of a member was said to be very low and it was agreed that the shareholding of individuals should be limited to Rs.5,000/- in each issue of one lakh of rupees to individuals.

4. The value of a share was fixed at Rs.100/- and the delegate of Kulitalai Land Mortgage Bank Mr.Annadurai Iyer said that each member should have only one vote. It was pointed out by the Registrar that this would be prejudicial to the interest of the primary Banks who were limited in number while the individual members would almost certainly outnumber them. The representatives agreed that there should be one vote for each share.

5. It was agreed that the Board of Management should be so constituted as to infuse confidence into the minds of the investing public. It was recognised that there should be some members nominated to take care ~~there~~ of the interests of debentureholders. The Registrar suggested that the proportion may be 3 : 3 : 3. After some discussion it was finally agreed that the proportion should be 5 : 4 : 3 for delegates of Primary societies, individual shareholders and nominated directors, the President having a casting vote.

Mr. T.A.Ramalinga Chettiar pointed out that the nomination should be in the hands of the Registrar and should not be left to the Government and this was generally agreed to. It was also agreed that the election of the President by the Board should be subject to the approval of Government.

6. It was suggested that the rate of interest on debentures should not exceed 6%. A delegate requested that the debentures may be floated for long periods from 20 to 30 years. It was pointed out by the Registrar that the repayment curve (equated annual payments) was almost straight when interest was at 9% after 15 years and that the borrowers are not [redacted]tte

by longer terms but that for lower rates of interest, the benefit continued for a longer period. Mr. Ramdoss proposed that the debentures may be floated for varying periods from 10 to 20 years. It was resolved that the debentures may be limited to 25 years and the working capital may be fixed tentatively at 20 times the share capital and Reserve fund.

7. It was agreed that Government should continue the inspection and audit work through Government Inspectors in the initial stages. The gentlemen present were of opinion that the Government should be requested preferably to guarantee interest on all the debentures issued during the first 5 years for the full period or in the alternative to take up debentures at least to 50% of the requirements.

8. Mr. Stocker expressed the view that there should be a Trustee for the Central Mortgage Bank as debentureholders have no direct voice in the management and the suggestion was accepted.

DRAFT BYLAWS OF THE CO-OPERATIVE CENTRAL LAND MORTGAGE BANK LTD.

The Co-operative Central Land Mortgage Bank Ltd. is registered as a co-operative society under Act II of 1912 (India) Its address shall be Madras. Its operations shall extend to the whole of the Madras Presidency. Its objects shall be to float debentures on mortgages transferred to it by the primary land mortgage banks and to finance them.

2. A mortgage bank in these bylaws means a Land Mortgage Bank registered under Act II of 1912 and admitted as a member of the Central Mortgage Bank. A member includes the society unless the contrary appears in the context.

3. The capital of the central bank shall for the present be Rs.2,00,000 made up of 2,000 shares of Rs.100/- each. Every Land Mortgage Bank in the Presidency shall be eligible for admission. Any person over 18 years of age and of sound mind shall also be eligible for admission provided that not more than 1,000 shares shall at any time be allotted to individuals.

4. Every member joining the central mortgage bank must take up at least one share, but no individual member can at any time hold shares exceeding Rs.5000. The duty of admitting members and allotting shares to them shall vest in the Board of Management referred to in bylaw No.21 below who may reject any application without assigning any reason.

5. The liability of a member shall be limited to the share capital subscribed by such member.

6. No member shall be permitted to transfer any share held by him unless the transferee be a member or some person whom the Board of Management is willing to admit as a member and provided in any case that the transfer of a share shall not be operative unless and until it is sanctioned by the Board of Management. No member shall at a[redacted]

permitted to withdraw any share or shares held ~~kk~~ by him.

7(1) If a member dies his membership shall ipso facto cease.

(2) (a) Every member of the Central Mortgage Bank may nominate any person to succeed in the event of his death to his share or interest in the bank. Such nomination shall in the event of his death be given effect to by the central mortgage bank provided that

(i) the nomination was signed by the deceased in the presence of at least two witnesses attesting the same

(ii) the nomination has been received in the books of the bank kept for the purpose

(iii) the person nominated shall have been admitted by the Board of Management as a member of the bank under bylaw 4.

(b) In the event of there being no person nominated by the deceased and entitled to succeed to his share or interest in the central bank, the heir or legal representative of the deceased or any person nominated by such heir or legal representatives within one month of the death of the deceased member shall be entitled to succeed thereto, provided such heir or legal representative or his nominee shall have been admitted by the Board of Management as a member of the Bank under bylaw 4.

(c) In the event of there being no person entitled to succeed under clause (a) or (b) of this bylaw to the share or interest of the deceased member of the bank the bank shall pay to the nominee of the deceased or to his heir or legal representative as the case may be a sum representing the deceased member's share or interest at the time of his death ascertained in accordance with the bylaws of the bank.

8. A past member shall be liable as provided in bylaw 5 for the debts due by the bank as they existed on the date when he ceased to be a member for a period of two years from such date. The estate of a deceased member shall be liable as provided in bylaw 5 for the debts due by the bank as they existed on the date of his decease for a period of one year after his decease.

F U N D S.

9. The central land Mortgage Bank will ordinarily obtain funds from the following sources:--

(i) Shares subscriptions.

(ii) Debentures.

(iii) Entrance fees and miscellaneous fees.

10. The value of each share shall be paid in one lump sum on admission. No member shall exercise the rights of a member unless or until he shall have made the payments to the bank required by these bylaws.

11. Every member shall on admission pay an advance fee of Re.1 per share. Every transferee of a share shall pay a like fee of Re.1 per share.

D E B E N T U R E S.

12. The Board of Directors may issue debentures as a floating charge on the mortgages transferred to it by the affiliated land mortgage banks. Such debentures shall bear interest not exceeding 6% per annum payable half-yearly. The period of debentures shall not exceed 25 years.

The

The Board of Directors shall reserve the right to call in any debenture at any time by giving not less than 3 months notice to the debenture-holder. Every debenture-holder whose debenture is so redeemed shall be paid the sum for which the debenture was issued together with all interest due thereon to the date of redemption.

13. The Board of Directors shall appoint a Trustee who shall for the present be the Registrar of Co-operative societies whose duty shall be to see that the Bank fulfils its obligations to the debentureholders. For this purpose the bank shall transfer to the trustee its rights in the mortgages on the security of which debentures are issued. The Trustee shall have power to require the bank to credit to an account opened in his name in the Imperial Bank or such other bank as may be approved by the Registrar of Co-operative Societies the whole or any part of recoveries made from members of the bank under any of the mortgages whether on redemption or upon sale under any power of sale applicable thereto.

14. The total value of debentures actually in circulation at any time must not exceed the total value of -- mortgage bonds and other assets assigned by the primary land mortgage banks to the central bank and held by it.

15. (i) Debentures, which by reason of damage sustained, have become unfit for circulation, provided however that the essential marks for genuineness and identity are still recognizable especially the number, the amount, the rate of interest, the date and signatures of the authorized executing officers of the Board of Directors, will be replaced at the request of the holder on giving up the damaged or defaced debenture. Fresh debentures shall also be issued to replace completely - - destroyed debentures when, in the opinion of the Bo of Directors, the fact of destruction is p

any doubt or uncertainty.

(ii) When such proof is not produced or when in case of damage the essential marks on the debenture are lost and no longer recognizable as well as in all cases in which the debenture has been stolen from the owner or has been in other ways mislaid, a new debenture will only be issued when the debenture which is alleged to be missing or unrecognizable has been previously advertized for by the claimant in the manner prescribed by the Board of Directors and its nullity legally declared.

(iii) The re-issue shall always be made for the same amount under the same number with the addition of the word 'renewed' and at the cost of the debenture-holder concerned

16. The debenture shall be signed and executed by at least three members of the Board of whom the President shall be one. The bank shall have a special seal to be used for debentures and the seal shall remain in the safe custody of the President.

17. No debenture-holder can claim the repayment of the value of his debenture before the expiry of the period for which the debenture was issued.

18. Debentures in respect of which notice of redemption has been given to the holders by the Board of Directors must be given up on the expiry of the terms mentioned in the notice, and if the debentures are not handed in until -- after the expiry of the term the holder shall have no claim upon the bank for interest accruing after the expiry of that term.

19. Notwithstanding anything contained in bylaw 12 the previous sanction of the Registrar of Co-operative Societies shall be necessary for

(i) the issue of debentures or

(ii) the conversion of one class of debentures into another class bearing a different rate of interest.

20. The total borrowings of the bank by the issue of debentures shall not exceed at any time 20 times the paid up share capital plus reserve fund.

M A N A G E M E N T.

21. The executive management of the Central Land Mortgage Bank shall vest in a Board of Directors consis ing of 12 members of whom 3 members shall be nominated by the Registrar, 4 members shall be elected by individual representatives of the central bank and 5 shall be elected by the representatives of shareholding land mortgage banks. The elected members of the Board of Management shall hold office for a period of three years provided that it shall be competent to the general body to remove an elected member of the Board of Management at any time and elect a successor for the unexpired period of his tenure of office. Should a vacancy occur in the elective seats during the period of the said three years it shall be filled up by the remaining members of the Board of Management until the next annual meeting of the general body when it shall be filled by election.

22. No decision of the Directors shall be valid unl it is assented by at least members. All questions before the Board of Directors shall be decided by a majority of votes. Should there be any equality of votes, the President or other presiding member shall have a casting vote. No member of the Board of Directors shall be present at a meeting of the Board when any matter in which he is personally interested is being discussed

23. Should a member of the Board of Directors absent himself from four consecutive meetings of the Board he shall cease to be a member of the Board of Directors, but may be reinstated by the Board of Directors.

24. The members of the Board of Management shall elect from among themselves a President. Vide President and a Treasurer. The election of the President shall be subject to theapproval of the Government. The Board will appoint a paid Secretary and fix his pay

The entire administration of the bank shall vest in the Board of Management and subject to the control of and delegation from that Board in an executive committee consisting of the President, the Vice-President and the Treasurer.

25. No decision of the Executive Committee shall be valid unless it is assented to at least by two.

26. Subject to such resolutions as the Board of Directors may from time to time pass, the several officers of the bank shall have the powers mentioned below:-

(a) The President shall have a general control over all the affairs of the bank. He shall also have power to appoint the members of the establishment as well as to fine, suspend or dismiss them subject in the last two cases to the approval of the Board of Directors.

(b) The Secretary shall be responsible for the executive administration of the bank subject to the control of the president.

(c) The Secretary/President shall be the officer to sue or be sued on behalf of the bank and all bonds in favour of the bank shall be in the name of the Secretary/President, All bonds by the bank except those for mone[redacted]orr[redacted]hall be executed by the President/Se[redacted]tary

(d) The Treasurer shall have custody of all properties of the Bank. He shall take charge of all money received by the bank from the members and from others and shall make disbursements in accordance with directions of the Board. He shall sign and cash book in token of its correctness and produce the cash balance whenever called upon to do so by the Board or auditor.

27. Receipt shall be issued for all moneys paid into the bank. For moneys paid by members or others other than debentures, receipts or bonds shall be signed by the President or Secretary or Treasurer whoever is elected by the Board of Directors to discharge this function.

28. It shall be the duty of the Board of Directors to maintain such accounts and registers as are prescribed by rule VII of the rules under the Act and by the Registrar ~~of~~ from time to time, to place before a general body meeting of the members the Registrar's notes of audit or inspection, within one month from the date of receipt, to correspond with the Registrar and to do all other business relating to the bank.

29. The Board of Directors shall have power to prescribe from time to time the scale of office establishment and to incur such expenditure as may be necessary for the management of the bank with reference to the scale and within the budget allotment sanctioned by the general body for each year. It shall be competent to the Secretary to incur petty contingent expenditure subject to a maximum of Rs. for any item.

30. The Board of Directors shall be competent to fix the amount and nature of the security, if any, to be given by the Secretary and the members of the office establishment.

31. It shall be competent to the Board of Directors to frame subsidiary bylaws for the conduct of the business of the bank consistent with the Act, the rules under the Act and these bylaws. Such subsidiary bylaws shall be entered in the minute book of the bank and they shall be reported to the Registrar of Co-operative Societies for - - approval.

32. The services of the members of the Board of Directors shall be gratuitous.

33. Subject to the control of the trustee the Board of Management shall have power to invest the money at its credit in any investment or deposit authorised by clauses a, b and d of subsection 1 of section 32 of the Co-operative Societies Act or in other securities approved by the Registrar of Co-operative societies.

(2) To redeem any or all of the debentures

(3) to determine the method of redeeming any debentures before the expiry of the term for which they were issued

(4) to proceed against the primary land mortgage bank or the mortgagors or against both in case of default ~~or~~ of payment of moneys due to the central Land Mortgage Bank.

GENERAL BODY.

34. The general body of the bank shall consist of the following members:-

(1) the members of the Board of Management

(ii) individual members and

(iii) delegates representing Primary Land Mortgage Banks.

Each bank being a member of the central Bank shall at a general meeting appoint a delegate. Vacancies among delegates shall be filled up in the same ~~xx~~ manner. A delegate ceasing to be a member of his bank shall cease to be its delegate. Every delegate shall hold office for a period of 3 years or until his successor has been appointed; provided that it shall be competent to any bank at any time to remove its delegate and appoint another. Each nominated member shall have only one vote and in the case of shareholders, there shall be one vote for each share.

35. The ultimate authority in all matters relating to the administration of the bank shall be the general body of members who shall meet from time to time and at least once a year to conduct the work of the bank. The following among other matters shall be dealt with by the general body:-

(i) the election and removal of the Board of Directors

(ii) The annual report due to the Registrar of Co-operative Societies;

(iii) the Registrar's annual audit certificates;

(iv) the amendment or repeal of any existing bylaw or the enactment of a new bylaw;

(v) the expulsion of a member;

(vi) the consideration of any complaint which any member may prefer against the Board of Directors; and

(vii) the returns that may be prescribed by the Local Government.

36. A Meeting of the general body of the members may be convened whenever necessary for the conduct of the business by the Board of Directors and shall be so convened by the Board of Directors at the request of 15 or more members or at the instance of the Registrar.

37. The quorum for a general body shall be or one fourth of the total number of members on the list at the time, whichever is less.

38. The President, when present, shall preside at the meetings of the general body. In his absence the members present m[redacted] a chairman from their number to pres[redacted] at the m[redacted] tions shall be decided by a majori[redacted] vot[redacted] present

present and voting. When votes are equal, the chairman of the meeting shall have a casting vote.

39. clear days' notice shall be given to members for a meeting of the general body.

40. No amendment to, alteration in, or cancellation of. a bylaw and no enactment of a new bylaw shall be made except at a general meeting of the member or shall take effect until it shall have been approved by the Registrar.

L O A N S.

41. The funds of the Central bank shall be primarily utilized for the purpose of granting loans to Land Mortgage Banks registered under India Act X of 1904 or India Act II of 1912.

42. No Land Mortgage Bank shall at any time be indebted to the Central bank by way of Principal to the extent of more than its borrowing power as fixed from time to time in the bylaws of the society.

43. It shall be the duty of the Board of Management to deal with all applications for loans received from Land Mortgage Banks to obtain from the Registrar full information regarding such banks and to see that loans are granted to them with due care and caution. The Board of Management shall settle all details in regard to the period of repayment of loans granted by them, the instalments of repayment, the rate of interest etc. provided that the rate of interest charged on loans shall not exceed 7% per annum

44. It shall be open to the borrowing bank to repay a loan wholly or partially before the due date according to its convenience.

45. No loans shall be granted for a period exceeding 25 years

46. When a member from whom money is due pays any sum it shall be appropriated in the following order:-

Firstly to fees, fines, postal registration and other miscellaneous charges due by the Member,

Secondly to interest and

Thirdly to Principal.

P R O F I T S.

47. The net profits of the bank as declared by the Registrar every year shall be disposed of as shown below:-

(i) not less than 25 per cent shall be carried to the credit of the reserve Fund,

(ii) out of the remainder, a dividend subject to a maximum of 7 per cent per annum on the paid-up value of each share may be paid to members proportionately to the amount of paid-up share capital held by each and also to the period during which the paid-up share capital was so held during the year; and

(iii) the balance shall be added to the Reserve Fund.

Reserve Fund.

48.(1) The reserve fund shall belong to the bank as a whole and is intended to meet unforseen losses. No member can claim a share in it. It shall be invested in such manner as the Registrar of Co-operative Societies prescribes and shall not be drawn upon except with his sanction.

(2) on the dissolution of the bank, the reserve fund shall be applied

(i) to discharge such liabilities of the bank as may remain undischarged after the enforsement in full of the liability of the members of the bank;

(ii) to the repayment of share capital paid up; and

(iii) to the payment of dividend upon such share capital at a rate not exceeding 7 per cent per annum for any period or periods for which no dividend has been paid.

(3) Such portion of these funds as shall remain after payments mentioned in sub-clause (2) shall be applied to such local objects of public utility as may be selected by the general body and approved of by the Registrar. If within three months of the final closing up of the bank the general body fails to make any selection that is approved of by the Registrar, the latter may use the abovementioned portion of the funds in supporting other co-operative societies in the neighbourhood or shall place the same on interest or otherwise with some co-operative [redacted] new central Land Mortgage bank with a [redacted]

operations is registered, in which event the funds shall be carried to the Reserve Fund of such bank.

MISCELLANEOUS.

49. The Board shall prepare annually in such form as may be prescribed by the Registrar

(a) a statement showing the receipts and disbursements for the year
(b) a profit and loss account
(c) a balance sheet, and
(d) such other statements as may be prescribed by the Registrar.

These statements shall be made up to 30th June and a copy of each shall be sent to the Registrar within 15 days after the close of the Co-operative year ending 30th June. After the Registrar has verified the statements and granted his audit certificate, the bank shall publish such of the prescribed statements as he may direct in the manner prescribed by him.

50. In the case of a dispute touching the business of the bank between members or past members of the bank, or persons claiming throug a member or past member of the bank or between a member or past member ~~of the bank~~ or persons so claiming and the Board of Directors, a reference in writing may be made by any party to the Registrar. Similarly, in the case of a dispute relating to a debt due to the Bank by a member or past member or persons claiming through a member or past member, a reference in writing may be made by either party to the Registrar. The Registrar shall have power on receipt of such reference, either to decide the dispute himself or refer it to an arbitrator appointed by him or to several arbitrators of whom one shall be appointed by him and one other by each of the parties to the dispute. The decision or award of the Registrar or of the arbitrator or arbitrators, as the case may be, shall be final and it may be enforced in either of these ways.

(a) by an application made to the Collector of the district through the Registrar of Co-operative Societies requesting that the amount due under the decision or award may be recovered in the same manner as arrears of land revenue; or

(b) by an application to the civil court having jurisdiction over the subject matter of the decision or award requesting that the court may enforce the decision or award as if it were a decree of the court.

51. Should any doubt arise as to the construction or meaning of the provisions of a Co-operative Societies Act II of 1912, or of any bylaw of the bank or as to the validity or effect of the proceedings of a meeting of the Board of Directors of the general body, the Board of Directors shall refer the same to the Registrar of Co-operative societies for advice and act according to his advice which shall be final.

52. The word "Registrar" as used in the bylaws means the principal Registrar of Co-operative Societies for the Madras Presidency.

PROCEEDINGS OF THE GOVT.OF H.H.THEMAHARAJA OF MYSORE.

—

Sans 21-28-15

READ:-

Government Proceedings No.G.11438-44/Sany 30-26-7 dated 10th April 1928 passing orders about the establishment of a Land Mortgage Bank at Bangalore and directing that the duties of general supervision and control over the operations of the Bank be entrusted to an officer to be designated Director of Land Mortgage Banks.

*2. G.O.No.G.13109-28/Sany. 81-27-1 dated 22nd May 1928 appointing the Director of Industries and Commerce as the Director of Land Mortgage Banks also and requesting him to take necessary further action for the establishment of the Land Mortgage Bank at an early date.

ORDER NO: G/2698-716

DATED,BANGALORE, 12. 4. 1929.

The Director of Industries and Commerce who under the second order read above has been entrusted with the work of organizing the Land Mortgage Bank has taken some considerable preliminary action in the matter, but Govt. consider that on account of the heavy duties of his own Department, he cannot devote as much time to the work relating to the Land Mortgage Bank as its importance and urgency require. Government also consider that in response to the general desire expressed by the Members of both the Legislative Council and the Representative Assembly, the scheme should be brought under the Mysore Co-operative Societies Regulation and the institution placed under the control of the Registrar of Co-operative Societies. As, however, the Registrar also has his hands full just as the Director of Industries and Commerce, Government consider it necessary to appoint a whole-time officer for the purpose of organising and supervising the work. They are therefore [illegible]

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create the appointment of a Deputy Registrar of Co-operative Societies to help the Registrar in connection with the Land Mortgage Banks. The appointment is sanctioned for a period of 2 years in the first instance. This officer will work under the general control of the Registrar, but will be ~~solely~~ responsible for all the details connected with the work. ~~The pay of the post will for the present be fixed at Rs.700 per mensem.~~ (a Rs 700

for

Offg. Chief Secy. to Govt.

To

TheDirector of I.& C.

The Registrar of Co-operative Societies.

The Comptr.(through Finl.Sectt).

The D.C.'s of Districts.

The Secreteries to Govt.
Press Table.
Copy to Dv.Branch.
-do- Office Branch.

Miscellaneous Papers

Tels.—"INDUSCOM"

Codes used—A.B.C., 5th Edn., Bentleys

GOVERNMENT OF MYSORE.

D. O. No. A/ X-11-B. Department of Industries and Commerce.

GENERAL MISCELLANEOUS BRANCH
21 JUL 1928

Mr. C. RANGANATHA RAO SAHIB, B.A., B.L.,
Director.

OFFICE OF THE DIRECTOR,

Bangalore, dated the 21st July *1928*

Dear Mr. Ranga Rao,

I told you this afternoon that I would meet you on Tuesday afternoon for a talk regarding the Land Mortgage Bank. I forgot at the time that the I.&.C. Board meets that day at 1 P.M., and I shall not be able to see you. I have an engagement at the Chamber of Commerce on the next day. I shall be available any day from the 26th. Will you kindly let me know which day would be convenient to you. I shall send up a note on the points I would like to discuss with you on Tuesday or Wednesday

Yours sincerely,

C Ranganatha Rao Sahib

R. Ranga Rao Esq., B.A., B.L.,
General Secretary to Govt.,
Bangalore.

CRS-AKG.

23rd July 1928

G 1138 & 23.7.28

In reply to your D.O. No.A1 L.I.B. dated 21st instant, I write to say that we may meet at 3 p.m. on Saturday the 28th instant if the day and hour suit you. We can go to know on Monday at 4.

Yours sincerely,

DRAFT

C.Ranganatha Rao Sahib, Esq.,B.A.,B.L.,
Director of Industries and Commerce
in Mysore,
Bangalore

DEPARTMENT OF INDUSTRIES AND COMMERCE.

GENERAL & MISCELLANEOUS BRANCH
25 JUL 1928

D. O. No. A,— 1118

OFFICE OF THE DIRECTOR,

Bangalore, dated the 24th July 1928.

Dear Mr. Ranga Rao,

I have your D. O. letter No. G. 1138 of the 23rd July 1928. The time and date suggested by you will suit me. I shall meet you at your offices at 3 P.M. that day.

Yours sincerely,

Ranganatha Rao Sahib

R. Ranga Rao, Esq., B.A., B.L.,
Secretary to the Government in the
General Departments, Bangalore.

DEPARTMENT OF INDUSTRIES AND COMMERCE.

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D. O. No.

OFFICE OF THE DIRECTOR,

Bangalore, dated the 28.7.1928.

GENERAL MISCELLANEOUS BRANCH
28 JULY 1928

File

My dear Ranga Rao,

I regret very much I cannot go to you at 3 P.M. as promised I am not well and have also written to Ramayya requesting him to give my excuses to the 3rd member may we meet some day next week.

Yours sincerely,

Ranganatha Rao Sahib

G. R. S. VI—G/32]

SUBJECT.....

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Diary No. of letter replied to ~~423~~ 966

Section Sam

File No. ~~45-27~~

Serial No.

General and Revenue Secretariat

( )

, *the* *191*

Do No. G 1775

Date of issue 9/8/28.

Signed by Mr. Mr. M. I.S

To

Dear Mr. Ramgoolam Rao

In reply to your Do

dated the 28th July 28

expressing your inability to

meet the Collector to discuss

Question of stabbing of two

Sambas in the State, I am

to state ~~that~~ as the Collector

is not ~~coming~~ that

next monday at 3 p.m.

would suit the Collector.

Draft Subd

7/8/28

Issued No. 9 1775

dt 9.8.28

7/8/28

Collector.

dm
7/8/28

DEPARTMENT OF INDUSTRIES AND COMMERCE.

D.O. No. LMB.

OFFICE OF THE DIRECTOR,

Bangalore, dated the...10th August 1928

Dear Mr. Ranga Rao,

I am in receipt of your D. O. letter No. G. 1775 of even date and to inform you that the time and date fixed will suit me very well. I shall see you then.

Yours sincerely,

C Rangamma Rao Sahib

R. Ranga Rao, Esq., B.A., B.L.,
Secretary to Government in the
General Departments, Bangalore.

Tels.—"INDUSCOM"

Codes used—A.B.C., 5th Edn., Bentleys.

GOVERNMENT OF MYSORE.

D.O. No. Ind 7

Department of Industries and Commerce.

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Mr. C. RANGANATHA RAO SAHIB, B.A., B.L.,
Director.

OFFICE OF THE DIRECTOR,

Bangalore, dated the...13th..August...*192*8.

Dear Mr. Ranga Rao,

I enclose a brief note containing the points on which I wish to discuss with you in regard to the By-laws relating to the Land Mortgage Bank.

I also enclose another note from Mr. Stocker of the Imperial Bank of India here, giving his views on our Rules, for your perusal.

I shall see you at 3 P.M. today.

Your's sincerely,

CRanganatha Rao Sahib

R. Ranga Rao Esq.,
General Secretary to Govt.,
Bangalore.

CRS-AKG.

By-laws 21 & 25. The By-laws do not contemplate the power of sale. The Bank should have this power, otherwise it is not likely that debentures will be taken up. The Agricultural Commission recommends that such power should be given.

By-law 26. Limitations of the rate of interest at which debentures should be floated is not advisable. The rate depends on the generate rate for money.

By-law 28. The limitation of 10 years within which debentures should not be paid off may work against the interest of the Bank, When loans are repaid earlier than the prescribed period, and no suitable security is forthcoming for the Bank to invest its surplus funds, The limitation is however a safe-guard to the debenture holder that he would not be paid off at least for 10 years. The Rule requires further consideration.

By-law 29. The Rule should be deleted. It is likely to make the debentures unpopular.

By-law 30. Release of security is not desirable. Otherwise every borrower who has repaid a part of the loan would be entitled to ask for release.

By-law 14. No minimum period need be fixed. The Bank would find it difficult to invest the funds without loss.

Local Mortgage Association. The Association is only an Agent of the Bank. What is the security on which the Bank can give it a loan? Has it a separate share capital of its own?

Trustee Securities, and exemption from income-tax. It is advisable to make the debentures Trustee Securities and also exempt them from paying income-tax.

13.6.26

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GOVERNMENT ORDER AND BYELAWS RELATING TO THE LAND MORTGAGE BANK IN MYSORE

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Government order

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PARA 5 - "The Bank will have a share capital of Five Lakhs of Rupees and will be permitted to issue debentures upto Rupees Twenty Lakhs.

It is not quite clear whether this is intended to limit the debentures issued by the Bank to four times its share capital. Some definite limit is necessary to give confidence to debenture holders. Such limit is often placed 20 to 25 times the capital. In consideration of the fact, however that the Bank's main operations will be in the distressed districts, I consider ten times the share capital is high enough, and I notice the total borrowing power of the Bank is limited to this figure in para 10 of the Byelaws.

"Government will guarantee interest on all the debentures at a rate not exceeding five per cent."

This would imply a perpetual guarantee in respect of the issue of debentures. Such guarantees may in effect prove more onerous than a guarantee of principal. It would be irrevocable, whereas a guarahtee of principal can be settled by payment. Further, it would not be so advantageous as the guarantee of principal would have the effect of giving confidence to debenture holders. The provision is therefore difficult to understand. However, I think that the perpetual guarantee of principal or of interest is too much for any Government to undertake. I would suggest the guarante of principal and/or interest for a period of years.

Para 6 - "The Bank may deal with individual borrowers provided the amount of the loan applied is not less than -- Rs 2,000/-".

This will be referred to later.

B Y E L A W S

Para 4 - I suggest adding -

d) Consolidati[redacted] of holdings
e) Purchase o[redacted]nd.

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Paras 10 & 11 - I considder that Land Mortgage Banks should not accept short term deposits. This is the function of the Co-operative Societies to which prospective depositors should be referred. The Combination of Mortgage Banking with ordinary bank has usually ended in failure.

Para 12 - "In exceptional cases the bank may deal with individual borrowers".

On principle, I am strongly against the Central Bank dealing with individual borrowers. Such borrowers are presumably intended to be shareholders and, if so, other shareholders will expect similar consideration. Further, if the rate of interest is fixed at the same rate as that of the borrower from the Land Mortgage Society, the Central Bank will have a larger margin and may be even tempted to encourage such business. On the other hand, if the rate of interest is the same as that granted to the Society, the members of the society, who would be paying a higher rate, would have a -- genuine grievance.

It has been pointed out to me however that as the primary societ: -es are being started in distressed districts, it is necessary for the Central Bank to have other sources of repayment to rely on. Ther is strong force in this argument, but I would prefer for the argument to be met by the starting of primary societies in the prosperous -- districts also.

Lending to individuals of course diverts the funds from the -- purpose for which the Central Bank is really started, i.e., the -- helping of the smaller people in the districts.

Para 13 (a) "A maximum of eight per cent per annum, in the case of long term loans".

As this provision appears in the Byelaws of the Central Mortgage Bank, it must be intended to govern the rates of interest to the -- Societies. If the Central Bank can borrow at 5 per cent, this gives a 3 per cent margin which is larger than should be necessary. Further as the future of the money market is uncertain it i[redacted] difficult thing to fix a maximum. If the ra[redacted] is intended to a[redacted] the

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the loans to the original borrower from the primary society it should appear in the society's byelaws and not here.

Para 14 - It seems to me to be inadvisable to fix a minimum for the period of repayment and any advantage that might accrue by so doing is nullified by the last sentence of the para which permits the borrower to repay his loan wholly or in part at an earlier time. I consider that a maximum period of thirty years should be fixed both for debentures and loans, that the periods of debentures and loans should synchronise as far as possible, that repayment in advance of loans be subject to six months notice from the borrower and that debentures be similarly repayable at six months notice to the Bank to the holder. If this is not done, the Bank will find itself with idle money earning no interest, whereas the liability for interest on debentures would continue.

Para 16 - As stated earlier, I do not agree with the combination of short term banking with mortgage banking.

Para 20 - This will need legislation. The implications of the Insolvency law and of any acts similar to the Land Improvement Loans act and the Agricultural Loans Act in the Madras Presidency need consideration.

Para 21 & 25 - I am entirely against the Bank having the power of foreclosure. Banks are not suitable agencies for managing property and if authorised to do so, I foresee many difficulties and dangers. If the Land Mortgage Bank is to be a success, I consider that power of sale without recourse to Courts is absolutely necessary.

Land Mortgage Banks are started to rescue the ryot from the money lender: this object will be frustrated if the banks are handicapped in their operations by delay and difficulty in suits and execution proceedings to recover mortgage debts. Rules should however be made for the issue of due notice of the intention to exercise the power of sale, for due publicity of all proceedings connected with the proclamation and conduct of the sale, and for the postpone[redacted]of sale when the highest bid for the prop[redacted] is not adequat[redacted] sale

sale should be conducted through the agency of the Director of Industries or an Officer authorised by him, or such other officer as Government may prescribe.

If power of sale is not given, I do not consider the debentures will be a commercial success unless guaranteed by Government.

Para 26 - "By the issue of debenture bonds bearing interest not exceeding five per cent per annum"

As market rates will fluctuate the limitation of this rate is inadvisable.

Para 28 - As already stated, I consider a Sinking Fund or its equivalent is absolutely necessary. It must be so arranged that at the date of expiry of debentures the money needed to repay this is available. A Sinking Fund may entail loss of interest as it may not be possible to have it invested so as to give a return in interest equivalent to the interest paid on the debentures. I have already suggested that the Bank should have power to repay debentures on six months notice. The receipts from loan instalments each year must be utilised in redemption of debentures. If, however holders of the debentures drawn for redemption prefer new debentures instead of cash, the money may be re-invested in loans for similar periods to the new debentures, if this is possible: otherwise cash must be paid.

Para 29 - This clause would, I consider greatly prejudice the popularity of the debentures and I cannot see any necessity for it, as it is not proposed to reduce the rate for the loans in respect of which the debentures have been issued.

Para 30 - This gives the bank power to demand additional securities when necessary and to release a part of the securities if in excess.

It would usually be found impossible to obtain the former but, if the latter provision remains, borrowers who have partly repaid their loans would be continually asking for release of part of their securities. The debenture holders security is [redacted]sider, Government by the law of average[redacted]., the security[redacted] indi-

[redacted]ual

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individual borrowers will be deficient and others will be in excess. The security for the debentures will therefore be affected by this provision and I consider that the release of security in the case of partial redemption of mortgages should not be allowed.

Para 44 - I do not think that ten per cent of the net profits is sufficient for allocation to reserve fund. This fund should be buil up as fast as possible, especially in the beginning, and 25 per cent of the profits should be allocated to it until it reaches, say, 25 per cent of the capital.

GENERAL - I have not seen the byelaws of the primary land mortgage societies, and these are of course of as great importance to the success of the scheme as the Byelaws of the Central Bank.

It is I understand hoped to interest Insurance Companies in the debentures of the Land Mortgage Bank. Insurance Companies are in need of an investment of this nature: Companies in England have a large part of their funds in mortgages and unfortunately in India there are very few suitable mortgages at present available. An Insurance Company, however, cannot risks unless the principal of the debentures is guaranteed by Government or alternatively the Companies can feel assured that the Land Mortgage Bank will have funds in hand to repay the debentures when necessary, they will not purchase them. A Sinking Fund is the usual method of giving the necessary assurance but the alternative I have proposed, will, I think cause less loss of profit to the Bank and, as the funds of Insurance Companies must necessarily be liquid, I do not think the prospect of payment before maturity will influence them especially as they will probably be able to take new debentures instaad of - cash. Power of sale without recourse to Courts on the lines I have suggested is also necessary to give them confidence in the security.

If the debentures can be made suitable for Insurance Companies the Land Mortgage Bank will be doing a second service in assisting Indian Insurance, and I suggest some of the leading com[redacted]es be consulted in the matter.

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Many of the points I have dealt with here are referred to in the report of the Madras Committee on Co-operation and in these cases the opinions, I have given, were supported by all the members of the Committee.

I may perhaps add that I think that the Land Mortgage Bank would do well in the first instanne to concentrate on an endeavour to relieve the present co-operative banks of their long terms loans; in my opinion these form a most dangerous feature of co-operative banking and if they are not dealt with soon, I am very nervous of the consequences. Apart from the danger of utilising short term deposits in long term loans the co-operative Banks have not the driving power to deal with them; this will be provided in the land mortgage banks by automatic provisions for action in case of default. I am doubtful, however, whether the byelaws at present make such action quite automatic enough.

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Please see letter in file no. 16/1/29

Proceedings of the Government of ~~H. H.~~ the Maharaja of Mysore.

Read:-

Government Order No.G.11438-44/San. 30-26-7 dated 10th April 1928 passing orders on the establishment of a Central Land Mortgage Bank at Bangalore.

2. Letter No. B. 2588/27-28 dated 31st August 1928 from the Director of Industries and Commerce reporting on the proceedings of the Departmental Conference held at Madras in regard to the establishment of a Central Land Mortgage Bank in the Presidency Town and suggesting certain modifications in the bye-laws etc sanctioned in the above orders.

Order No. G.

Dated Bangalore, the

The Director of I. & C. has based his suggestions for the modification of the bye-laws sanctioned by Government in their order dated 10th April 1928 not only on the result of deliberations of the Departmental Conference held at Madras in August 1928 but also after a personal discussion with Mr. Lamb, Secretary, Imperial Bank of India, Madras. The following are the most important recommendations made by the Director:--

(a) That the power of issuing debentures should be exercised by a Central body managed by influential bus[redacted]n,

The main alterations suggested by the D. of I. & C. in the bye-laws, approved by Govt in their order dated 10th April 1928 read above, are the following:—

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whose names would attract subscription for debentures issued by the bank;

(b) ~~That it is not practicable to float any long term debentures for a Land Mortgage Bank at present and for some time to come unless the rate of interest of at~~ - 6% - or if the debentures issued are income tax free (it is at 5½ per cent ~~and it~~ an if with cases it is guaranteed by Government;

That the rate of interest on Debentures should be fixed at 6% p.c. if the debentures are issued are free income tax free or 6 p.c. if the are subject to that tax

(c) That it is not desirable for Government to issue rules reserving power to the Bank to redeem its debentures at six months' notice and that therefore the Bank should provide a sinking fund and buy its debentures from the open market to prevent their depreciation;

(d) That the debenture bonds should not be below Rs.100 in value but it would be preferable to have a denomination of Rs.500 and above;

(e) That the President of the Bank should not be appointed by Government but should be left entirely to the choice of the General body of share holders;

(f) That Government should bear the expenses of the Bank for the first five years or at least for the first three years, in view of the fact that the expenses of the Bank would far exceed its income during the early years of its administration;

(g) That it is not desirable to appoint as Valuers of Land, officials of Government and

(h) That a power of sale by the Bank in case of default should be expressly reserved to the Bank under rule [redacted] that the

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provision regarding releasing security comtemplated in rule 30 should not be allowed.

2. Government are pleased to approve of the suggestions generally and are pleased to direct as follows :--

(i) The debentures should be issued only by the Central Land Mortgage Bank which should, as proposed, have influential business men on its Board of Management and Board of Supervision.

(ii) The debenture bonds should carry interest at 5½ p.c., free of income-tax, with a guarantee by Government for its payment.

(iii) The Bank should provide a sinking fund and buy its debentures in the open market.

(iv) The value of the debenture bonds shall be fixed at Rs.100 for the present.

(v) The selection of the President of the Bank should be left to the general body finally. But for the present, the President will be nominated by Government.

(vi) Government are agreeable to bear the working expenses of the Bank for the first three years.

(vii) The Valuers of Land should not be Government officials.

(viii) Lastly the Bank may, as suggested, reserve the power of sale of land in case of default. The release of security contemplated in Bye-laws 30 should not be given effect to

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3. The bye-laws issued with the Government Order dated 10th April 1928 are ~~further~~ modified in accordance with the above orders and are annexed hereto.

4. The Director of I.& C. is requested to take early action for starting the Land Mortgage Bank.

Secy 7/12/28 General Secretary to Government

To

The Director of I.& C.

The Revenue Commissioner.

The Secretaries to Government.

The Deputy Commissioners of Districts.

The Comptroller to Government,

through Finl. Sectt.

" Regr & C.S.

Press Table.

CP/5.12.